

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 HA-05 IO-13 DOE-15
SOE-02 DODE-00 PM-05 H-01 L-03 NSC-05 PA-01
SS-15 /130 W

-----127120 202234Z /73

R 202131Z JUL 78
FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC 6596

LIMITED OFFICIAL USE SE TION 1 OF 2 BUENOS AIRES 5596

E.O. 11652 N/A
TAGS EFIN, SHUM, PEPR, AR, US
SUBJECT ARGENTINE REACTION TO EXIM BANK LETTER TO ALLIS CHALMERS
ON YACYRETA

REF: A BUENOS AIRES TRWON B BUENOS AIRES 5574

1. BOTH PRESS AND RADIO IN ARGENTINA HAVE GIVEN EXTENSIVE
COVERAGE TO THE DEPARTMENT'S VETO ON HUMAN RIGHTS GROUNDS
OF EXIM BANK ISSUANCE OF A LETTER OF INTEREST TO ALLIS
CHALMERS TO SUPPORT ITS BID TO SUPPLY TURBINES FOR THE
YACRETA HYDROELECTRIC PROJECT. (SEE MEDIA REACTION
IN REF B). COMMENTARY HAS IN GENERAL BEEN BITTER,
TENDING TO FEED THE WIDESPREAD PUBLIC FEELING THAT
THE REAL SITUATION IN ARGENTINA IS MISUNDERSTOOD
ABROAD. NACION, ARGENTINA'S GENERALLY MODERATE
PRO-GOVERNMENT NEWSPAPER, GAVE THE MOST COMPLETE
REVIEW OF OUR HUMAN RIGHTS POLICY IN THE IFI'S.
EXIM BANKS FUNCTION, AMBASSADOR AJA ESPIL'S PROTEST
ON THE SUSPENSION OF EXIM BANK CREDITS TO ARGENTINA
LAST MAY; AND GENERALLY ASSESSED THE IMPACT OF THE
ECONOMIC SANCTION ASPECT OF OUR HUMAN RIGHTS
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POLICY ON ARGENTINA. NACION NOTED THAT THE US
INTRODUCTION OF POLITICAL CONSIDERATIONS INTO
THE IFI'S PROBABLY VIOLATED THE CHARTERS OF
THESE INSTITUTIONS; ATTACKED THE US EFFORT TO
BLOCK A PROJECT WITH SOCIOECONOMIC BENEFITS TO
EXTENSIVE AREAS IN BOTH PARAGUAY AND ARGENTINA
AND WITH AN IMPACT WHICH WILL POSTDATE THE

CURRENT GOVERNMENT ADMINISTRATIONS IN BOTH ARGENTINA AND THE US; AND EMPHASIZED THAT ARGENTINA DOES NOT NEED EXIM BANK FINANCING IN ORDER FOR THE PROJECT TO GO FORWARD AND THAT THE MEASURE WILL PRINCIPALLY HURT US INDUSTRY, AND IN PARTICULAR ALLIS CHALMERS, WHICH HAD HOPED TO SUPPLY THE TURBINES FOR THE PROJECT.

2. SANTIAGO ISERN, ACTING PRESIDENT OF THE BINATIONAL ENTITY FOR YACYRETA (EBY), OFFICIALLY DENYING A DIRECT REBUFF FROM THE EXIM, IS QUOTED AS SAYING THAT IT WAS ALLIS CHALMERS -- NOT THE EBY-- WHICH HAD SOUGHT THE LETTER OF INTEREST FROM EXIM BANK. LA NACION POINTS OUT OTHER FIRMS, INCLUDING A JOINT VENTURE BY A WELL KNOWN GERMAN COMPANY AND A SOVIET INDUSTRIAL COMPLEX, AND PLENTY OF FINANCING ALTERNATIVES ARE AVAILABLE TO FULFILL THE NEEDS OF YACYRETA. THE PRESS ALSO QUOTED DAVID SCOTT, PRESIDENT OF ALLIS CHALMERS, AS SAYING THAT THE USG ACTION MAY COST US WORKERS 18 MILLION HOURS OF WORK AND THAT, IF EXIM BANK MAINTAINS ITS CURRENT POSITION, ALLIS CHALMERS WILL SEEK FINANCING (AND PRESUMABLY PROCUREMENT) FROM OTHER SOURCES.

3. SOME ARTICLES REPORTED THAT OTHER PENDING EXIMBANK LIMITED OFFICIAL USE

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CREDIT APPLICATIONS FOR PROJECTS IN ARGENTINA WOULD BE AFFECTED BY THE US POLICY AND THAT, AS A RESULT, THE GOA MIGHT WITHDRAW ITS APPLICATION FOR EXIMBANK FINANCING FOR THE BOEINGS ORDERED BY AEROLINAS ARGENTINAS (COMMENT: AS REPORTED REFTTEL, THE GOA HAS ALREADY OBTAINED THE NECESSARY FINANCING FROM PRIVATE US BANKS FOR THE BOEINGS AND ON VERY FAVORABLE TERMS).

4. DURING MEETING WITH THE AMBASSADOR JULY 20, LEADING MEMBERS OF THE AMERICAN BUSINESS COMMUNITY IN BUENOS AIRES EXPRESSED THEIR CONCERN THAT THE PUBLICITY GIVEN TO THE EXIMBANK ACTION ON YACYRETA WOULD PROVOKE A NATIONALISTIC, ANTI-AMERICAN REACTION WHICH WOULD SERIOUSLY AFFECT US BUSINESS INTERESTS. THEY REPORTED THAT THERE IS ALREADY SOME INDICATION THAT ARGENTINA IS REDIRECTING ITS PROCUREMENT TO EUROPE AND OTHER NON AMERICAN SOURCES OF SUPPLY AND THAT EVEN AMERICAN COMPANIES ESTABLISHED IN ARGENTINA MAY BE OBLIGED TO DO THE SAME. AS AN EXAMPLE, ONE AMERICAN REPRESENTATIVE REPORTED THAT HIS COMPANY HAD RECENTLY INITIATED DISCUSSION WITH GERMANS AND ITALIANS FOR POSSIBLE FINANCING AND PROCUREMENT FOR A ONE BILLION DOLLAR COPPER PROJECT AND THAT THE INITIAL RESPONSE

HAD BEEN HIGHLY POSITIVE.

5. IN AN EFFORT TO PROTECT US BUSINESS INTERESTS IN
ARGENTINA, THE AMERICAN CHAMBER HERE HAS SENT TELEGRAMS

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TO SECSTATE WASHDC 6597

LIMITED OFFICIAL USE SECTION 2 OF 2 BUENOS AIRES 5596

TO A LARGE NUMBER OF CONGRESSMEN EXPRESSING CONCERN
ABOUT OUR POLICY TOWARD ARGENTINA AND SPECIFICALLY
ABOUT THE ADVERSE EFFECT THE HUMAN RIGHTS POLICY IS
HAVING ON BUSINESS AND EMPLOYMENT IN THEIR DISTRICTS.
COPIES OF THESE TELEGRAMS HAVE BEEN SENT TO THE HEADQUARTERS
OF COMPANIES REPRESENTED IN ARGENTINA REQUESTING THAT
THEY MOUNT A LOBBYING EFFORT IN CONGRESS TO REMOVE THE
ECONOMIC SANCTIONS ASPECTS OF OUR HUMAN RIGHTS POLICY.

6. DR GUILLERMO BLANCO, DIRECTOR OF INTERNATIONAL
ORGANIZATIONS AT THE MINISTRY OF ECONOMY, INFORMED US
THAT HE PERSONALLY REGRETTED THE PUBLICITY GIVEN TO THE
EXIMBANK LETTER TO ALLIS CHALMERS BECAUSE OF THE AGGRAVATION
PUBLICLY OF RELATIONS BETWEEN OUR TWO COUNTRIES (SEE REF A).
HE INDICATED THAT THE EBY MISSION TO SECURE FINANCING FOR
YACYRETA HAS BEEN WELL RECEIVED IN EUROPE AND AMONG PRIVATE
US BANKING CIRCLES IN NEW YORK AND THAT THEREFORE EXIMBANK
FINANCING WAS NOT CRUCIAL TO THE PROJECT.

7. NACION SPECULATED THAT ADMIRAL MASSERA MAY SUSPEND
HIS PROSED VISIT TO THE US ON ACCOUNT OF THE DEPARTMENT'S
ANNOUNCEMENT REGARDING THE EXIMBANK DECISION (SEPTTEL FOLLOWS).
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8. COMMENT: THE PUBLICITY AND RESENTMENT OVER EXIM'S REFUSAL TO DO BUSINESS WITH ARGENTINA IS CONSIDERABLE, DESPITE THE FACT THAT, AS SOME OF THE PAPERS NOTE, EXIM'S ATTITUDE ON THE YACYRETA LOAN HAS BEEN KNOWN FOR SOME TIME WITHIN ARGENTINE GOVERNMENTAL AND BUSINESS CIRCLES. THE WAY THE STORY BROKE IN WASHINGTON IN AN EXCHANGE OF LETTERS BETWEEN THE BANK AND STATE DEPARTMENT APPEARS TO HAVE ADDED TO ARGENTINA'S IRE OVER WHAT IT CONSIDERS PEREMPTORY TREATMENT ON THE PART OF THE US. NOTWITHSTANDING THE ECONOMY MINISTRY'S STATED WISH TO AVOID UNPLEASANT PUBLICITY, TODAY'S PRESS PLAY SUGGESTS GOA MAY HAVE FELT IT HAD TO RESPOND TO THE US ANNOUNCEMENT. END COMMENT.
CASTRO

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: VOTING, HUMAN RIGHTS, PUBLIC ATTITUDES, LOAN GUARANTEES, HYDROELECTRIC POWER PLANTS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BUENOS05596
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780299-0052
Format: TEL
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780740/aaaabhcj.tel
Line Count: 190
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f8683570-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1947395
Secure: OPEN
Status: NATIVE
Subject: ARGENTINE REACTION TO EXIM BANK LETTER TO ALLIS CHALMERS ON YACYRETA
TAGS: EFIN, SHUM, PEPR, AR, US, XMB, ALLIS-CHALMERS
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/f8683570-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014